UPDATE OF REFERENCES TO THE INTERNAL REVENUE CODE

Prior Law_____

The primary statutory references to the Internal Revenue Code (IRC) related to the determination of income are amended through January 1, 2012.

New Provisions_____

The primary references to the federal provisions for the determination of income and for the research activities credit were updated to January 1, 2013 as amended by the American Taxpayer Relief Act of 2012, Public Law No. 112-240.

Some of the major provisions of the American Taxpayer Relief Act for which Iowa is now coupled are:

- An increase in section 179 expensing to $500,000 for 2012 and 2013
- A deduction for out-of-pocket educator expenses up to $250 for 2012 and 2013
- A deduction for tuition and fees for higher education for 2012 and 2013
- Election to deduct state sales/use tax as an itemized deduction in lieu of state income tax for 2012 and 2013
- An income tax exemption for IRA distributions donated to charity for 2012 and 2013
- An itemized deduction for mortgage insurance premiums as a qualified residence interest expense for 2012 and 2013
- Coupling with earned income tax credit and child and dependent care tax credits for 2012 and subsequent years
- A limitation on itemized deductions for high-income taxpayers for 2013 and subsequent years

The only provision of the American Taxpayer Relief Act for which Iowa is decoupled is bonus deprecation for assets acquired in 2012 (see page 26, SF 106-B for more information).

Section Amended_____

Section 1 of 2013 Iowa Acts Senate File 106 amends section 15.335, subsection 7, paragraph b, Code 2013. Section 2 amends section 422.3, subsection 5, Code 2013. Section 3 amends section 422.9, subsection 2, paragraph 1, Code 2013. Section 4 amends section 422.10, subsection 3, paragraph b, Code 2013. Section 5 amends section 422.32, subsection 1, paragraph g, Code 2013. Section 6 amends section 422.33, subsection 5, paragraph d, subparagraph (2), Code 2013.

Effective Date_____

Retroactive to January 1, 2012, for tax years beginning on or after that date.